

## **The Camisea Project Status Report March 28, 2004**

The Camisea gas extraction and pipeline project is one of the most significant energy infrastructure projects currently under construction in Latin America, and, when completed in mid-2004, will provide extraordinary economic and social benefits to Peru through the creation of jobs, the reduction of energy costs, the extension of the use of environmentally friendly fuel and the generation of export revenue. The IDB has agreed to finance part of the downstream component of the \$1.6 billion project with a \$75 million loan from ordinary capital and a syndicated loan of up to \$60 million.

Construction of the Camisea Project is near completion. Significant efforts have been implemented to address environmental and social aspects of the project, such as:

- Development of a Camisea Environmental, Social and Economic Development Fund, using Project royalties, to provide financing for local communities in the area of direct influence of the Project,
- Implementation of an extensive compensation program for those affected by the Project,
- Creation of enhanced legal protections and protocols related to indigenous peoples living in isolation,
- Creation of a commission to improve the environmental sustainability of Paracas Bay and financing for major portions of the proposed actions,
- Creation of significant new environmental protected areas to help prevent illegal access, and secondary as a benefit to Peru,
- Four extensive and detailed monitoring systems being conducted by the IDB, Government of Peru, independent consultants, and local communities,
- Comprehensive soil erosion control systems, which continues to be finalized as construction ends,
- An extensive re-vegetation program, which will continue well into the operational phase of the project.

There have been significant investments by the project companies, Peruvian government, and the IDB to make sure that benefits of the project are distributed to those that need them the most and that the environmental and social impacts are properly mitigated. However given the stage of project implementation, there remain some technical actions that need to be continued or implemented in the future.

The IDB continues to devote a great deal of attention to ensuring all the environmental and social protections which were explicit in its Board of Executive Director's approval of an IDB loan to the Camisea project are fully implemented. The IDB is confident that the process of compliance with the conditions will be concluded in the near future, allowing for financial closure on the loan. Significant progress has been made toward this end, but some details are still pending. The IDB is committed to assuring that the Camisea project is a truly sustainable infrastructure project for the people of Peru.